

Message Text

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ACTION EA-09

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 5259

C O N F I D E N T I A L MANILA 7100

PASS TREASURY FOR WALKER

E.O. 11652: GDS

TAGS: EFIN, RP

SUBJECT: LINNIE JEAN HODGES ESTATE

REF: (A) STATE 97603, (B) MANILA 6077

1. ACCOMPANIED BY ECONOMIC COUNSELOR, I CALLED ON FINANCE SECRETARY VIRATA MAY 20 TO DISCUSS NUMBER ECONOMIC ISSUES, INCLUDING LINNIE JEAN HODGES CASE. WHEN I RAISED CASE, VIRATA IMMEDIATELY REPLIED THAT HE HAD SEEN MEMO PREPARED BY ALBRECHT FOR TOLEDO, AND THAT IT SOUNDED ALL RIGHT TO HIM. HE HAD ASKED HIS TAX EXPERTS TO TELL HIM WHETHER THERE WAS ANY PROBLEM HE HAD OVERLOOKED.

2. DURING TELEPHONE CONVERSATION WITH WALKER OF U.S. TREASURY MAY 18, I HAD EXPRESSED VIEW THAT EARLY RESOLUTION THIS CASE SEEMED ENTIRELY IN HANDS U.S. TREASURY. PHILIPPINE CHECK SENT TO U.S. TREASURY WAS DEFINITIVE ACTION, AS FAR AS PHILIPPINE AUTHORITIES CONCERNED. COMPLICATIONS AROSE WHEN U.S. TREASURY OFFICIALS QUESTIONED PROPERIETY TRANSMITTING SUM TO HODGES ESTATE IN EXCESS OF TAXES ACTUALLY PREPAID PLUS INTEREST. SINCE U.S. TREASURY AND ESTATE APPEARED TO HAVE REACHED AGREEMENT THAT ONLY ACTUAL TAX PAYMENTS PLUS INTEREST SHOULD GO TO ESTATE, IT SEEMS LOGICAL AND APPROPRIATE FOR REMAINDER TO BE RETURNED TO GOP WITH NOTE OF EXPLANATION. IT WAS DIFFICULT
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FOR FILIPINOS TO UNDERSTAND WHY THEY WERE BEING ASKED TO

MAKE A DECISION WHICH WAS BASED ON INFORMATION AVAILABLE ONLY TO U.S. TREASURY.

3. I THEREFORE RECOMMENDED TO WALKER THAT I SHOULD TELL VIRATA THAT U.S. TREASURY PREPARED TO ACT ON BASIS IT HAD PROPOSED, AND WOULD RETURN CHECK FOR \$47,343.00 TO GOP. WALKER AGREED THAT I SHOULD PUT SUCH A STATEMENT TO VIRATA.

4. CONSEQUENTLY, WHEN VIRATA INDICATED THAT HE HAD REFERRED ALBRECHT MEMO TO PIO DE RODA FOR FURTHER STUDY, I TOLD HIM I WAS RECOMMENDING TO U.S. TREASURY THAT IT SHOULD CUT ITS OWN CORDIAN KNOT AND SEND THE CHECK. VIRATA SAID THAT SOUNDED ALL RIGHT TO HIM, BUT THAT PIO DE RODA WAS THE EXPERT.

5. ECONOMIC COUNSELOR WILL FOLLOW UP WITH PIO DE RODA, TELLING HIM WHAT I AM RECOMMENDING TO U.S. TREASURY. AS SOON AS WE HAVE HIS REACTION, WE WILL ADVISE TREASURY TO GO AHEAD AND ISSUE THE CHECK. I FEEL WE HAVE CONFUSED FILIPINOS BY THE WHOLE TRAIN OF EVENTS, SO THAT THEY ARE NOW LOOKING UNDER ROCKS TO SEE IF THEY HAVE SOMEHOW BEEN CHEATED IN WAYS THEY DON'T UNDERSTAND. SINCE U.S. RAISED THE QUESTIONS, WE SHOULD BE WILLING TO PROVIDE THE ANSWERS.
SULLIVAN

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